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FISCAL IMPACT REPORT

SPONSOR SCORC DATE TYPED 03/05/05 HB _____

SHORT TITLE Salvage & Unrepairable Vehicle Sales SB 441/SCORCS/aSfI#1

ANALYST Ford

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			Minimal See Narrative		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of SFI#1 Amendment

Senate Floor Amendment #1 makes a number of changes to the bill. The amendment makes the definition of nonrepairable vehicle more inclusive by specifying that a nonrepairable vehicle includes vehicles that have no resale value except as a source of parts *or* that the owner designates as a source of parts or scrap metal, have been substantially stripped as a result of theft *or* is missing all of the specified components, and finally, a vehicle that has been substantially burned to a specified extent *or* that the owner irreversibly designates for destruction.

The amendment changes the definition of salvage vehicle by excluding hail damage, pursuant to rules issued by the Taxation and Revenue Department (TRD).

The amendment increases the amount of time that owners of nonrepairable vehicles (both private owners and insurance companies) have to obtain a nonrepairable vehicle certificate from 15 days to 20 days. The amendment also strikes the requirement that the owner provide the license plates of the vehicle to the TRD to obtain a nonrepairable vehicle certificate.

Finally, the amendment adds an enactment date of January 1, 2006.

Significant Issues

The Senate Floor amendment excludes hail damage from the definition of salvage vehicles, pur-

suant to rules issued by TRD. Hail damage is largely cosmetic and does not affect the safety of the vehicle as other damage might. Thus, the exclusion of hail damage may be appropriate. However, the amendment does not specify what rules TRD is to issue in relation to hail damage. While it may not be a safety issue, hail damage may still reduce the fair market value of the vehicle, which warrants notification to potential buyers. Branding of the title serves as an assurance of this notification. The TRD has the authority to issue rules requiring some kind of notation of hail damage on the title but is not specifically required to do so by the bill, as amended.

Synopsis of Original Bill

The Senate Corporations and Transportation Committee substitute for Senate Bill 441 defines nonrepairable vehicles and salvage vehicles, requires the titles of such vehicles to be branded appropriately, requires owners of nonrepairable vehicles to obtain a nonrepairable vehicle certificate in lieu of title, prohibits the sale of non-repairable vehicles except to licensed wreckers of vehicles, and prohibits the sale of nonrepairable or salvage vehicles without the proper branding on the title.

Significant Issues

The bill defines nonrepairable vehicle in detail but generally relates to vehicles that have been so damaged that they have no resale value except as a source of parts or scrap metal or as the source of a vehicle identification number.

The bill requires the owner of a nonrepairable vehicle to obtain a nonrepairable vehicle certificate in lieu of a title. If the vehicle is transferred to an insurance company as part of a total-loss settlement, then the insurance company shall stamp the title and send a copy, along with the license plates, to the Taxation and Revenue Department (TRD) which will then issue a nonrepairable vehicle certificate. If the owner elects to keep the vehicle, the insurance company shall notify the TRD of this fact and shall notify the owner of his/her duty to obtain a nonrepairable vehicle certificate, using the same process as that required for the insurance companies. TRD shall not issue a new registration card and title for any vehicle that has been issued a nonrepairable vehicle certificate.

A nonrepairable vehicle may be sold only to a licensed wrecker of vehicles or a similarly licensed person outside the state. A nonrepairable vehicle shall not be repaired, reconstructed or restored for operation on the roads or highways of the state.

The bill repeals the existing statute relating to salvage vehicles and enacts a new section in its place. The bill makes it illegal for a person to sell or otherwise convey ownership of a salvage or nonrepairable vehicle unless the title is branded appropriately.

These provisions do not apply to a person whose vehicle has been stolen unless the vehicle is recovered and is a nonrepairable or salvage vehicle. The provisions do not apply to a person transferring ownership to an insurance company as part of the total loss settlement.

FISCAL IMPLICATIONS

The bill may result in minor costs to the TRD to make necessary procedural changes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 475 proposes to change the name of “wrecker of vehicles” to “auto recycler.”

OTHER SUBSTANTIVE ISSUES

Restrictions on the sale of nonrepairable vehicles help protect consumers and other drivers from unsafe cars by prohibiting these vehicles from being repaired for use on the roads. These restrictions may also prevent the vehicle identification numbers of nonrepairable vehicles from being used to mask the identity of stolen cars.

In addition, requiring the title of salvage vehicles to be branded serves as an important consumer protection device, warning potential used-car buyers that a vehicle has been substantially damaged and subsequently repaired. Often, this damage is not visible to consumers and the branded title serves as an assurance that the potential buyer is alerted to issues that may impact the safety and/or market value of the vehicle.

Finally, it is important for New Mexico law to provide procedures for identifying and restricting nonrepairable and salvage vehicles because the lack of such procedures serves to attract damaged vehicles from other states. Since vehicles that are branded tend to have a lower market value than their non-branded counterparts, there is an incentive for unscrupulous individuals to bring damaged vehicles into New Mexico to obtain a clean title. The vehicle can then be sold in New Mexico or the clean New Mexico title can be used to obtain a clean title in another state that has stricter requirements (this is known as “title washing”). By enacting procedures and restrictions on nonrepairable and salvage vehicles, this bill may help protect consumers and prevent title washing.

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